

Message Text

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PAGE 01 JIDDA 03211 271150Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 271112Z APR 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1883
INFO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY DOHA
AMEMBASSY KUWAIT

C O N F I D E N T I A L JIDDA 3211

EXDIS

E.O. 11652: GDS
TAGS: MASS, EG, SA, TC, KU, QA
SUBJECT: FUNDING EGYPTIAN MILITARY AND MILITARY-RELATED PURCHASES

REF: STATE 101030

1. WE HAVE NO PROBLEM WITH EITHER OPTION ONE OR OPTION THREE.
WE THINK THAT, WHATEVER ARRANGEMENT IS MADE, THERE SHOULD BE PRO-
VISION FOR PAYMENT OF INTEREST ON ANY FUNDS BEING HELD ON
DEPOSIT. SAG HAS BEEN CONCERNED RECENTLY WITH LOSS OF
REVENUE ON IDLE FUNDS ON DEPOSIT IN U.S. BANKS TO COVER
OBLIGATIONS UNDER MODA PURCHASE AGREEMENTS. MINISTER OF
DEFENSE PRINCE SULTAN BIN ABD AL-AZIZ ADDRESSED LETTER
TO LT. GENERAL ERNEST GRAVES, DIRECTOR, DSAA, DOD, ON
APRIL 17, 1978 IN WHICH HE MADE FOLLOWING PROPOSALS:

BEGIN QUOTE:

(A) AS FOR OPEN PROCUREMENT AGREEMENTS, ALL THEIR IDLE
FUNDS WILL BE DEPOSITED IN THE ACCOUNT OF SAUDI ARABIAN
MONETARY AGENCY AT THE FEDERAL BANK IN NEW YORK TO BE INVES-
TED IN U.S. TREASURY BONDS FOR SUCCESSIVE PERIODS OF 90
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PAGE 02 JIDDA 03211 271150Z

DAYS, THIS WILL BE ARRANGED BETWEEN SAUDI ARABIAN MONETARY
AGENCY AND THE AMERICAN FEDERAL BANK IN NEW YORK. THE DOD,
FROM TIME TO TIME, AND ACCORDING TO BILL IT OFFERS TO THE
FEDERAL BANK IN NEW YORK, WILL WITHDRAW FUNDS THAT COVER
THE VALUE OF ITS SALES WHETHER THEY ARE MATERIAL OR
SERVICES.

(B) AS FOR PROCUREMENT AGREEMENTS THAT WILL BE SIGNED

IN THE FUTURE, SAUDI ARABIAN MONETARY AGENCY WILL OPEN LETTERS OF CREDIT WITH ITS REPRESENTATIVE BANKS IN NEW YORK FOR THE BENEFIT OF THE DOD IN THE VALUE THAT IS ASSIGNED IN THE LOAS (DD FORM 1513). THE LETTERS OF CREDIT WILL REFLECT THE ESTIMATED FUNDS EXPRESSED IN THE LOAS WHICH ARE EXPLAINED BY TERMS OF PAYMENT SUBJECT TO BE REVISED. INSTRUCTIONS WILL BE DIRECTED TO THOSE BANKS WHICH HAVE CREDIT LETTERS TO PAY DOD ON THE BASIS OF BILLS SUBMITTED BY DOD ON DD FORM 645. THE FIRST PAYMENT WILL BE PAID AS EXPLAINED IN THE PAYMENT CONDITIONS MENTIONED IN LOAS, DD FORM 1513. END QUOTE.

2. WE AGREE WITH PARA 2 OF REFTL THAT GOE SHOULD BEAR RESPONSIBILITY FOR APPROACH TO SAG.
WEST

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